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September 24, 2002

VIA FACSIMILE AND U.S. MAIL

Mr. Rocco Izzo
S. & R Construction
60 Dyerville Avenue
Johnston, Rhode Island

Mr. Kevin Gillen
Bond Claim Department
Hartford Insurance Company
Hartford Plaza
Hartford Connecticut 06115

Re: S. & R. Construction Company-Eastern Contractors Inc.
Bonded Projects -Default Notice

Greene/Spencer Borden Schools-Fall River, Mass.	Bond # 02 BCSAA 8196
Freetown-Lakeville Middle School-Lakeville, Mass.	Bond #02BCSAA8193
Lynnfield Middle School, Lynnfield, Mass.	Bond #02BCSAP4614
Medway High School, Medway, Mass.	Bond #02BCSAP 4629
Normandin Middle School, New Bedford, Mass.	Bond #02BCSAP4618
South Street Elementary School, Waltham, Mass.	Bond #02BCSAA 8192
Wetherbee Elementary School, Lawrence, Mass.	Bond #02BCSAP 4612
Lincoln-Sudbury High School, Sudbury, Mass.	

Gentlemen:

Please be advised that this office represents Eastern Contractors, Inc. (Eastern) of Framingham, Mass. which is the General Contractor on the above referenced projects and for which, Eastern has sub-contracts with S. & R. Construction for the performance of site work, excavation, and related work as further described in the contract documents.

Eastern has advised that S. & R. has breached its subcontract obligations on the above referenced projects in numerous respects by failing to manage and supervise such projects properly; failing to make payments to subcontractors, suppliers, materialmen and others which failure of payments not only jeopardizes progress and performance of the subcontract, but also creates contingent liability exposure to Eastern, and its surety on its payment bonds issued for the projects. Eastern has been contacted repeatedly by suppliers and subcontractors, who have advised Eastern of nonpayment by S. & R. for materials, services, and supplies for the projects, and in the number of instances, have informed Eastern's representatives that scheduled work will not be performed because of amounts outstanding for previous work. Eastern has also been informed of labor disruptions relating to a failure of payment for union benefits, and has also been advised by a number of subcontractors, truckers, and suppliers that checks issued in payment by S. & R. for work relating to Eastern's projects have not been honored by S. & R.'s bank.

Most recently, Eastern at the request of S & R advanced \$100,000 to that company upon being advised a failure of such advance would impact payroll obligations. Eastern received a request for an additional advance of \$275,000 and was advised that in the absence of such funds, insurance coverage for Workers' Compensation, general liability etc. covering the projects upon which Eastern has subcontracts with S & R would be canceled.


Eastern has also been named as a reach and apply defendant in a civil action brought by Caruso Landscaping Inc. in the Norfolk Superior Court alleging nonpayment of funds for services in connection with the Wetherbee School Project, in Lawrence. When Eastern inquired as the status of those accounts, S & R advised that Caruso had been paid, however Eastern subsequently was informed that the checks issued to Caruso were not honored by the bank upon which they were drawn. As a consequence, Eastern has been forced to incur expenses in the investigation and defenses and action or which Eastern makes demand for indemnity under the bonds issued by Hartford.

Eastern has made request to S & R Construction for a complete listing of every subcontractor, supplier, equipment source or other vendors utilized by S & R on all of Eastern's projects, with a certification as to amounts paid, balances outstanding, and other financial information. These requests have not been honored, nor has Eastern been furnished with copies of outstanding bills for insurance, materials and supplies etc..

All of the foregoing constitute events of default under the subcontract obligations existing between S. & R. and Eastern. Eastern makes demand of S & R and Hartford Insurance Company as surety on bonds issued for the projects, to cure these defaults, furnish Eastern with an up to date and accurate summary of vendors, vendor payment records and other financial matters relating to the performance on all subcontracts between S & R and Eastern, to provide proper supervision, manpower and management of these projects and remedy failures to adhere to project schedules and otherwise fulfill the obligations under the subcontracts.

Eastern requests that meeting the scheduled between representatives of Hartford Insurance Company, S & R and Eastern at the earliest possible opportunity to review the status of the default under the subcontract, the issue of insurance coverage and all the matters relating to the subcontract performance. Please contact me as soon as possible with regard to this matter.

Very truly yours,



Edward J. Quinlan

EJQ/ga

cc: Eastern Contractors, Inc.